

No. 2091

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
TURKEY**

Loan Agreement — *Seyhan Project* — (with annexed Loan Regulations No. 3 and related letters). Signed at Washington, on 18 June 1952

Official text: English.

Registered by the International Bank for Reconstruction and Development on 11 February 1953.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
TURQUIE**

Contrat d'emprunt — *Projet du Seyhan* — (avec, en annexe, le Règlement n° 3 sur les emprunts et des lettres y relatives). Signé à Washington, le 18 juin 1952

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 11 février 1953.

No. 2091. LOAN AGREEMENT¹ (*SEYHAN PROJECT*) BETWEEN THE REPUBLIC OF TURKEY AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 18 JUNE 1952

AGREEMENT, dated June 18, 1952, between REPUBLIC OF TURKEY (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3² of the Bank dated December 6, 1950, subject, however, to the modifications thereof set forth in Schedule 4³ to this Loan Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, the sum of twenty-five million two hundred thousand dollars (\$25,200,000), or the equivalent thereof in currencies other than dollars.

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Loan Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

¹ Came into force on 27 September 1952, upon notification by the Bank to the Government of Turkey.

² See p. 290 of this volume.

³ See p. 288 of this volume.

Notwithstanding anything to the contrary contained in this Loan Agreement, unless the Bank shall otherwise agree, the Borrower shall not be entitled to make withdrawals from the Loan Account until :

(a) Engineering consultants shall have been appointed to prepare the plans and specifications for the works described in numerals I, II and III of Schedule 2 to this Loan Agreement and to effect the general supervision of their construction ; and

(b) The Çukurova Power Utility Company (*Çukurova Elektrik Türk Anonim Ortaklığı*) shall have been organized and shall be existing as a *Türk anonim ortaklığı* substantially in accordance with the plans heretofore submitted to the Bank and four million Turkish liras of its subscribed capital shall have been fully paid in, and evidence thereof satisfactory to the Bank shall have been furnished to the Bank.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of four and three-fourths per cent ($4\frac{3}{4}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of any such special commitment outstanding.

Section 2.06. Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Loan Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply or cause the proceeds of the Loan to be applied exclusively to the cost of goods which will be required for the carrying out of the works described in numerals I, II and III of Schedule 2² to this Loan Agreement. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, and the list of such goods may be modified from time to time by agreement between them.

¹ See p. 282 of this volume.

² See p. 284 of this volume.

Section 3.02. Except as the Bank shall otherwise agree, the Borrower shall cause all goods purchased with the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of such works.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out or cause the Project to be carried out with due diligence, efficiency and economy and in conformity with sound engineering and financial practices. In carrying out the works described in numerals I, II and III of Schedule 2 to this Loan Agreement, the Borrower shall employ competent and experienced engineering consultants and contractors.

(b) The Borrower shall furnish or cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the works described in numerals I, II and III of Schedule 2 to this Loan Agreement and any material modifications subsequently made therein.

Section 5.02. (a) The Borrower shall maintain or cause to be maintained records showing the use made of the goods purchased with the proceeds of the Loan, the progress of the works described in numerals I, II and III of Schedule 2 to this Loan Agreement (including the cost thereof) and the financial condition and operations in respect of such works of the agency or agencies of the Borrower responsible for carrying out or operating such works or any part thereof.

(b) The Borrower shall enable the Bank's representatives to examine the Project, the goods purchased with the proceeds of the Loan and any relevant records and documents relating thereto.

(c) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the goods purchased with the proceeds of the Loan, the Project and the financial condition and opera-

tions in respect of the Project of the agency or agencies of the Borrower responsible for carrying out or operating the Project or any part thereof.

Section 5.03. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The suggestions and observations made by either party pursuant to any provisions of this Section shall be received by the other party in a spirit of mutual cooperation and shall be given due consideration. The Borrower shall promptly inform the Bank of any condition which shall arise that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof or shall increase or threaten to increase, the estimated cost of the works described in numerals I, II and III of Schedule 2 to this Loan Agreement materially over the estimated cost set forth in Schedule 3¹ to this Loan Agreement.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.04. Except as the Bank shall otherwise agree in writing, if any lien shall be created on any assets of the Borrower or any of its political subdivisions or any agency of the Borrower or any such political subdivision as security for the payment of any external debt, then by the creation thereof such lien shall equally and ratably secure the payment of the principal of, and the interest and other charges on, the Loan, and in the creation of any such lien express provision will be made to that effect; provided, however, that this Section shall not apply to :

(a) Any lien created on property purchased, at the time of the purchase thereof, solely as security for the payment of the purchase price of such property ; or

(b) to any pledge of commercial goods to secure debt maturing not more than one year after the date incurred and to be paid out of the proceeds of sale of such commercial goods ; or

(c) any pledge by *T. C. Merkez Bankasi* (Central Bank of the Republic of Turkey) of any of its assets in the ordinary course of its banking business

¹ See p. 288 of this volume.

to secure any indebtedness maturing not more than one year after the date incurred.

Section 5.05. The principal of, and interest on, the Loan and the Bonds and the charges on the Loan and the Bonds provided for in Sections 2.03 and 2.05 of this Loan Agreement and in Sections 2.05 (b), 6.04 and 6.16 of the Loan Regulations shall be paid without deduction for and free from any taxes or fees imposed by the Borrower or by any taxing authority thereof or therein ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.06. The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed by the Borrower or any taxing authority thereof or therein on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.07. The principal of, and interest on, the Loan and the Bonds and the charges on the Loan and the Bonds provided for in Sections 2.03 and 2.05 of this Loan Agreement and in Sections 2.05 (b), 6.04 and 6.16 of the Loan Regulations shall be paid free from all restrictions of the Borrower, its political subdivisions or agencies ; provided, however, that the provisions of this Section shall not apply to restrictions on payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.08. The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

Section 5.09. The Borrower shall provide or cause to be provided the funds necessary to meet the costs of the works described in numerals I, II and III of Schedule 2 to this Loan Agreement in currency of the Borrower and for that purpose shall duly and promptly take all appropriate measures and enact such legislation as may be necessary to insure that such funds shall be made available as and when required for the carrying out of such works.

Section 5.10. The Borrower shall cause the plants, equipment and property included in the Project to be operated and maintained, and from time to time

shall cause all necessary renewals and repairs thereof to be made, all in accordance with sound engineering and financial standards and with due regard for the power, irrigation and flood control aspects of the Project.

Section 5.11. Whenever the Borrower shall transfer or cause to be transferred the ownership or operation of any substantial property included in the Project the Borrower shall make or cause to be made adequate provision for compliance with the obligations imposed upon the Borrower by Sections 5.02 and 5.10 of this Loan Agreement.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days or if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1956.

Section 7.02. A date 90 days after the date of this Loan Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower : Ministry of Finance, Directorate General of the Treasury, Ankara, Turkey.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington 25, D.C., United States of America.

Section 7.04. The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Turkey :

By Ferdidun C. ERKIN
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date</i>	<i>Payment Due</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in dollars*)</i>	<i>Date</i>	<i>Payment Due</i>	<i>Principal Amount Outstanding After Each Payment (Expressed in dollars*)</i>
Oct. 1, 1956 . . .	\$ —	\$25 200,000	Apr. 1, 1967 . . .	\$592,000	\$15,277,000
Apr. 1, 1957 . . .	370,000	24,830,000	Oct. 1, 1967 . . .	606,000	14,671,000
Oct. 1, 1957 . . .	379,000	24,451,000	Apr. 1, 1968 . . .	619,000	14,052,000
Apr. 1, 1958 . . .	388,000	24,063,000	Oct. 1, 1968 . . .	635,000	13,417,000
Oct. 1, 1958 . . .	397,000	23,666,000	Apr. 1, 1969 . . .	650,000	12,767,000
Apr. 1, 1959 . . .	406,000	23,260,000	Oct. 1, 1969 . . .	665,000	12,102,000
Oct. 1, 1959 . . .	416,000	22,844,000	Apr. 1, 1970 . . .	681,000	11,421,000
Apr. 1, 1960 . . .	426,000	22,418,000	Oct. 1, 1970 . . .	697,000	10,724,000
Oct. 1, 1960 . . .	436,000	21,982,000	Apr. 1, 1971 . . .	714,000	10,010,000
Apr. 1, 1961 . . .	446,000	21,536,000	Oct. 1, 1971 . . .	731,000	9,279,000
Oct. 1, 1961 . . .	457,000	21,079,000	Apr. 1, 1972 . . .	748,000	8,531,000
Apr. 1, 1962 . . .	468,000	20,611,000	Oct. 1, 1972 . . .	766,000	7,765,000
Oct. 1, 1962 . . .	478,000	20,133,000	Apr. 1, 1973 . . .	784,000	6,981,000
Apr. 1, 1963 . . .	490,000	19,643,000	Oct. 1, 1973 . . .	803,000	6,178,000
Oct. 1, 1963 . . .	502,000	19,141,000	Apr. 1, 1974 . . .	821,000	5,357,000
Apr. 1, 1964 . . .	514,000	18,627,000	Oct. 1, 1974 . . .	841,000	4,516,000
Oct. 1, 1964 . . .	526,000	18,101,000	Apr. 1, 1975 . . .	861,000	3,655,000
Apr. 1, 1965 . . .	539,000	17,562,000	Oct. 1, 1975 . . .	882,000	2,773,000
Oct. 1, 1965 . . .	551,000	17,011,000	Apr. 1, 1976 . . .	903,000	1,870,000
Apr. 1, 1966 . . .	564,000	16,447,000	Oct. 1, 1976 . . .	924,000	946,000
Oct. 1, 1966 . . .	578,000	15,869,000	Apr. 1, 1977 . . .	946,000	—

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 5 years before maturity	1/2 %
More than 5 years but not more than 10 years before maturity	1 %
More than 10 years but not more than 15 years before maturity	1 1/2 %
More than 15 years but not more than 20 years before maturity	2 %
More than 20 years before maturity	2 1/2 %

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The project is a multipurpose development involving the construction of a dam across the Seyhan River near Adana, a hydroelectric power generating plant, a power transmission system, and flood control and irrigation works.

I. *Dam and Reservoir*

The dam will be located on the Seyhan River about 8 kilometers north of the city of Adana, province of Seyhan. The dam will be an earth structure with an integral power plant and a flood spillway. The dam with its crest about 70 meters above sea level, will have a height of 57 meters from its base and of about 50 meters above the bottom of the river bed, and a length of about 1568 meters. Excavations of about 3 million cubic meters will be required for stripping the foundation of overburden and a fill of about $4\frac{1}{3}$ million cubic meters will be required for the body of the dam. An 85 meter spillway for flood release equipped with tainter gates and with a capacity of about 5000 cubic meters per second will be built in the right side of the dam. The storage capacity of the reservoir to be created by the dam is estimated at about 1450 million cubic meters, with a useful storage of about 575 million cubic meters. The land to be overflowed by the reservoir covers a total area of about 4500 hectares. The highway work made necessary by the dam and reservoir will be performed. The intake on the hydroelectric installation will be through a conduit built through the center of the dam, on the downstream end of which valves to the turbines and additional valves for releasing water directly for irrigation will be provided. A steel surge tank will be provided on this conduit between the dam and the power house.

II. *Power House and Equipment*

The power house will be of the outdoor type and located on the downstream toe of the dam. The station equipment will consist of two 18,000 kilowatt Francis-type vertical

units of 50 cycle frequency operating at 13,800 volts. Space will be provided for a third unit which may be added at a later date.

III. *Substations and Transmission System*

The step-up substation at the power house will consist of two banks of single-phase transformers, each designed to operate in conjunction with one generating unit. The switchgear and other auxiliary equipment will be conventional. This station will step up the voltage from 13,800 to 66,000 required for transmission. Step-down substations will be built at Adana, Tarsus and Mersin. A 66,000 volt transmission line about 80 kilometers long from the switchyard at the power house to the step-down substations at Adana, Tarsus and Mersin will be constructed. The transmission line will be a single circuit line strung on steel towers. Provision for a second transmission circuit will be made in the design of the steel towers.

IV. *Flood Control and Irrigation Facilities*

To provide adequate flood protection to the Adana plain a supplementary system of levees is being completed. The levees on either side of the Seyhan River start just down-stream from the city of Adana and extend to the Mediterranean Sea, a distance of about 50 kilometers. Levees which are also being constructed along the Berdan River and the right bank of the Ceyhan River, and collection canals along the foothills above the Adana plain will complete the flood control system. The flood control works will afford protection against floods of up to 1250 cubic meters per second.

The irrigation system already in existence will be gradually expanded, after the completion of the dam, to provide, by 1961, irrigation water to about 144,000 hectares of land.

V. *General*

(a) All necessary land, rights-of-way and other rights *in rem* will be acquired by the Borrower as needed for the carrying out of the project.

(b) Provision will be made for the training of personnel to the extent necessary to ensure efficient construction, operation and maintenance of all the phases of the project.

(c) All necessary steps will be taken to assure the productive utilization of the irrigated land.

VI. *Estimated Period of Construction for Works described in I, II and III*

Construction will begin during the mid-year months of 1952 and will be completed not later than mid-year 1956. Power generation will begin not later than February of 1956.

SCHEDULE 3

ESTIMATED COST OF WORKS DESCRIBED IN I, II AND III OF SCHEDULE 2
(Expressed in 1000 dollars)

<i>Items</i>	<i>Foreign Exchange Expenditures</i>	<i>Local Currency</i>	<i>Total</i>
1. Purchase of land	—	2,321	2,321
2. Construction equipment	4,533	—	4,533
3. Dam materials, supplies and construction	10,802	6,898	17,700
4. Electrical generating and transmission facilities	5,110	1,228	6,338
5. Engineer's and contractor's fees . . .	2,531	192	2,723
6. Contingencies	2,224	—	2,224
	<u>25,200</u>	<u>10,639</u>	<u>35,839</u>

SCHEDULE 4

MODIFICATIONS OF LOAN REGULATIONS No. 3¹

For the purposes of this Loan Agreement the provisions of Loan Regulations No. 3 of the Bank, dated December 6, 1950, shall be deemed to be modified as follows :

(a) The second sentence of Section 2.02 of Loan Regulations No. 3 shall read as follows :

“Such commitment charge shall accrue from the Effective Date or from September 16, 1952, whichever shall be the earlier, or from such other date as may be agreed upon between the Bank and the Borrower, to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV or shall be cancelled pursuant to Article V.”

(b) The last two sentences of Section 4.02 of Loan Regulations No. 3 shall be deemed to be deleted.

(c) Section 9.03 of Loan Regulations No. 3 shall read as follows :

“Except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement shall come into force and effect 15 days after the date upon which the Borrower shall furnish to the Bank evidence satisfactory to the Bank that the events set forth in Section 9.01 of the Loan Regulations have occurred.”

¹ See p. 290 of this volume.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 6 DECEMBER 1950

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 158, p. 170.*]

Letter, dated 18 June 1952, from the Bank to the Government of Turkey concerning withdrawals for engineering fees

June 18, 1952

His Excellency Feridun C. Erkin
Ambassador of the Turkish Republic
1606 Twenty-third Street, N. W.
Washington, D. C.

Dear Mr. Ambassador :

I refer to Section 2.02 of the Loan Agreement¹ (Seyhan Project) of even date between the Republic of Turkey and the Bank. You have asked us whether the Bank would permit withdrawals from the Loan Account to be made, prior to the satisfaction of the condition set forth in paragraph (b) of Section 2.02, for payment of the reasonable fees and expenses of the engineering consultants appointed by your Government pursuant to the provisions of Section 5.01 of the Loan Agreement.

I am pleased to inform you that the Bank would, prior to the satisfaction of the conditions set forth in paragraph (b) of said Section 2.02 but otherwise subject to the terms and conditions of the Loan Agreement and the Loan Regulations, permit such withdrawals to be made for such purpose in an amount not to exceed \$300,000, or its equivalent in other currencies.

Sincerely yours,

(Signed) Eugene R. BLACK
President

¹ See p. 270 of this volume.

Letter, dated 18 June 1952, from the Bank to the Government of Turkey concerning the use of left-over funds

June 18, 1952

His Excellency Feridun C. Erkin
Ambassador of the Turkish Republic
1606 Twenty-third Street, N. W.
Washington, D. C.

Dear Mr. Ambassador :

I refer to the Loan Agreement¹ (Seyhan Project) of even date between the Republic of Turkey and the Bank. You have asked us whether, if any portion of the Loan remains undisbursed in the Loan Account after the works described in numerals I, II and III of Schedule 2² to the Loan Agreement shall have been carried out, the Bank would be willing to amend the Loan Agreement so as to permit the use of such undisbursed balance towards the payment of the foreign exchange cost of goods needed to carry out the additional works described in numeral IV of such Schedule 2.

I am pleased to inform you that the Bank would be willing to agree to such amendment.

Sincerely yours,

(Signed) Eugene R. BLACK
President

¹ See p. 270 of this volume.

² See p. 284 of this volume.